

Modification Report
Transco Proposal for Revision of Network Code Standards of Service
Modification Reference Number 0565
Version 1.0

This Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

This Proposal contains a complete standards of service package structured as follows:-

Absolute Limitation of Liabilities (Cap)

Transco proposes to link a % absolute Cap to its profits on ordinary activities and that, as is currently the case (and was recommended by RG0072), the Absolute Cap be sub-divided to avoid possible perverse incentives in certain areas.

Discussions in the Standards of Service Development Work Group have indicated that each of the proposed standards are of equal priority, in view of this, in sub dividing this cap, Transco proposes to set individual caps for each standard, the sum of which equates to 20 % greater than the absolute cap. This will ensure an incentive is retained across the entire regime. However, should liability payments reach the absolute cap in any one period, sub cap payments (and any components within each sub cap) will be pro rated such that the absolute cap is not breached.

Similarly, should any sub cap limit be breached in any one period, the component payments within the sub cap will be pro rated, where applicable, such that a sub-cap be applied to each of the customer types, “Domestic” and “Industrial & Commercial”. This would ensure that a major failure in one area would not preclude liabilities being paid to the other customer area. It is proposed that the existing consumption threshold of 73,200kWh should be used and for this reason (to be consistent with the Network Code) the terms ‘Smaller’ and ‘Larger’ Supply Points will be used.

Proportion for incentives related to Larger Supply Points 50% of respective sub cap
Proportion for incentives related to Smaller Supply Points 50% of respective sub cap

High Level Principles of Operation

Following discussion in the Standards of Service Development Work Group Transco also proposes the following principles of operation as part of the Standards of Service regime

Shadow Log

Operation of any shadow arrangement must be cost effective and simple to operate for both Transco and Users.

The shadow log should act to moderate User behaviour and inhibit the generation of liability payments from Transco through inappropriate action (or inaction).

“Polluter pays”, i.e. the User(s) responsible for problems will be excluded from receipt of any payments in relation to the respective standard.

Scope of shadow log arrangements should in the first instance be limited to those activities that impact on the standard of service process to which they relate.

The Standards of Service Development Work Group should determine detail of the rules of operation for individual standards.

Where there are interdependencies between standards payments will only be made against the standard incurring the higher liability, all payments in respect of dependant standards will be suspended for the same occurrence.

Query Management

The query definition developed by the Standards of Service Development Work Group, subsequently ratified by the Standards of Service Sub Committee be utilised for GT queries and that the Standards of Service Development Work Group should continue to develop a definition for Metering queries that remain under the jurisdiction of Transco until Metering Separation.

Query Management standards for Metering related queries are transitional and will be removed from the Network Code upon the implementation of Metering Separation.

Data Quality – existing Previously Submitted Query (PSQ) Rules to apply as determined by the Standards of Service Development Work Group.

Existing Standards of Service for the Management of Shipper Operational and Invoice Queries (Bosworth Agreement) to act as baseline for business rules.

Reporting

All reporting will be output based.

Invoicing and Payment

Existing Network Code rules under section V13.4 will apply

Table of proposed Standards and Incentives

Item	Sub-cap	Proposed Standard	Failure	Incentive Payment	Shadow Log
Existing Standards Retained					
Provision of DM Meter Reads	Larger Supply Point	97%	by 11.00 hrs D+1	£20 per Supply Point	N/A
			Each Subsequent Day	£20	
Production of CV data to shippers by 11.00 hrs and 16.00 hrs	N/A	All Failures	>D+7 by 16.00 hrs D+1	£30 £50 per User, per event	N/A
			Where Transco becomes aware of a change to published CV Data it will endeavour to advise the User within five business day	£100 per User per event	
Invalid Offer (LDZ)	Larger Supply Point	All Failures	Existing Network Code Rules	£100 per confirmation	N/A
Nominations Referred	Larger Supply Point	97%	>12 days >17days	£30 £50 per nomination	✓ Access problem for site visits
Suppressed reconciliation DM (SRV's) (NB this standard excludes those suppressed items covered by USRV arrangements)	Smaller Supply Point	98%	>1m >2m (invoice month following resolution of suppression)	£40 £60	N/A
Suppressed reconciliation NDM (SRV's) (NB excludes those suppressed items covered by USRV arrangements)	Smaller Supply Point	98%	>1m >2m (invoice month following resolution of suppression)	£20 £30	✓ Must Reads
Adjustments to GRE Invoices	Larger Supply Point and Smaller Supply Point		As per rules agreed for Modification 0385		N/A
Site Visits (excludes GSOS for Metering Visits)	Larger Supply Point and	95%	Failure to keep appointment for agreed site visit	£20	where appointment agreed and User fails to

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	Smaller Supply Point		(existing rules for agreed site visits ratified by Development Work Group)		attend or Transco is unable to obtain access N/A
Gas not made available (I&C) (DM) (NDM) (Interruptible)	Larger Supply Point	All Failures	Existing Network Code Rules apply	Greater of 10 x Annual Capacity for Firm or 5 x Annual Capacity for Interruptible or DM £250 NDM £50 per Supply Point £500 per User, per failure	N/A
File format governance for UKlink Class 2 and 3 changes as Existing Network Code Rules. Consult on proposed change, Give notice of change of not less than 3 months, Failure to notify of non implementation of change within one business day.	N/A	All Failures All Failures All Failures	No consultation No notice Not implemented Existing Network Code Rules apply		N/A
Proposed New Standards					
Non Availability of UK Link System (as definition per UK Link manual) excluding planned outages.	N/A	99% of service availability as defined in UK Link manual	system unavailable for a period not less than 24 hours	£1,000 per User affected	✓ Where failure can be attributed to inappropriate actions of a User, affected Users should have the right to recover incentive payments from such user.
Non Recovery of UK Link System (definition per UK Link manual)	N/A	All Failures recovery with in 5hrs as defined in UK Link manual	repeated failure within the business day following recovery	£50 per user affected 1st repeated failure to increase by 100% for each subsequent failure within the business day per user affected	✓ Where failure can be attributed to inappropriate actions of a User, affected Users should

			e.g. £50, £100, £200, £400, £800	have the right to recover incentive payments from such user.
Query Resolution GT				
I&C Queries resolved	Larger Supply Point			✓
				In order to protect users from the potential for gaming where a User submits invalid queries exceeding 10% of the total volume of queries submitted by that user in any month they shall be excluded from receiving any benefit from this standard. (Volume limits to be recorded based upon a Larger and Smaller supply points)
(Duplicates excluded from incentive payment)		35%	4days	£5
		80%	10days	£10
		95%	20days	£50
		All	>40days	£100 pcm
		Failures		£200
Domestic Queries resolved	Smaller Supply Point			✓
				as I & C queries above
(Duplicates excluded from incentive payment)		35%	4days	£2.5
		80%	10days	£5
		95%	20days	£10
		All	>40days	£25 pcm
				£50

Failures

Query Resolution Metering
(Transitional Standard to be removed from Network Code at Metering separation date)

Larger
Supply
Point

✓
In order to protect users from the potential for gaming where a User submits invalid queries exceeding 10% of the total volume of queries submitted by that user in any month they shall be excluded from receiving any benefit from this standard.
(Volume limits to be recorded based upon a Larger and Smaller supply points)

I&C Queries resolved

35%	4days	£5	£5
80%	10days	£10	£20
95%	20days	£50	£100
All Failures	>40days	£100 pcm	£200 pcm

Domestic Queries resolved

Smaller
Supply
Point

35%	4days	£2.5	£2.5
80%	10days	£5	£10
95%	20days	£10	£20
All Failures	>40days	£25 pcm	£50 pcm

✓
as I & C queries above

NB All proposed standards are subject to development of agreed business rules.

2. Transco's Opinion

Transco is of the opinion that the final standards of service package (as shown in the table below), negotiated by the Development Work Group, represents a fair balance between User desires to incentive Transco to consistently perform to a high standard while meeting Transco's requirement to have some scope to avoid liability payments by exceeding the performance levels. Obviously this rationale does not apply where Transco is liable for all failures, in which case the payments are more compensatory in nature. Nevertheless, Transco remains of the opinion that the terms of the package as a whole are fair.

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Item	% Split for Larger and Smaller Supply Points?	Final Proposed Standard	Failure	Incentive Payment	Shadow Log
Existing Standards Retained					
Provision of DM Meter Reads	100% Larger	97.5%	by 11.00 hrs D+1 >D+4 PPL measured over a calendar month.	£30 per meter point per day £70 per meter point per day (exc. from PPL)	N/A
Production of CV data to shippers by 11.00 hrs and 16.00 hrs	N/A	All Failures	by 16.00 hrs D+1 Where Transco becomes aware of a change to published CV Data it will endeavour to advise within 5 business days	£50 per User, per event £250 per User, per event	N/A
Invalid Offer (LDZ)	100% Larger	All Failures	Existing Network Code Rules	£50 per confirmation	N/A
Nominations Referred	80% Larger	97%	>12 days	£30	Yes, where access is a problem for site visits
	20% Smaller	100%	>17 days	£50 per nomination	
Suppressed reconciliation DM (SRV's) (NB this standard excludes those suppressed items covered by USRV)	100% Smaller	98%	>1m >2m (invoice month following resolution of suppression)	£40 £60	N/A
Suppressed reconciliation NDM (SRV's) (NB excludes those suppressed items covered by USRV arrangements)	100% Smaller	98%	>1m >2m (invoice month following resolution of suppression)	£20 £30	Yes, must Reads
Adjustments to GRE charges	N/A	As per existing rules	As per Network Code rules as agreed in Modification 0385 (part of Transition document until Feb 02)	As per existing rules	N/A
Site Visits (excludes GSOS for Metering Visits)	50% Larger 50% Smaller	All Failures	Failure to keep a site visit appointment	£20	Yes, where appointment agreed and User fails to attend or Transco is unable to obtain access

Item	% Split for Larger and Smaller Supply Points?	Final Proposed Standard	Failure	Incentive Payment	Shadow Log
Gas not made available (I&C)	50% Larger 50% Smaller	All Failures	Existing Network Code Rules apply	Greater of 10 x Annual Capacity for Firm or 5 x	N/A

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(DM) (NDM) (Interruptible)				Annual Capacity for Interruptible or DM £250 NDM £50 per Supply Point	
File format governance for UKlink Class 2 and 3 changes as Existing Network Code Rules.	N/A				N/A
Consult on proposed change,		All Failures	No consultation	£500 per User, per failure	
Give notice of change not less than 3 months		All Failures	No notice	£500 per User, per failure	
Failure to notify of non implementation of change within 1 business day		All failures	Not implemented Existing Network Rules apply	£1,000 per User, per failure	
Proposed New Standards					
Non Availability of UK Link System (as definition per UK Link manual) excluding planned outages.	N/A	99% of service availability as defined in UK Link manual	System unavailable for a period not less than 24 hours	£1,000 per User affected	Yes, where failure can be attributed to inappropriate actions of a User, any liability payments will be suspended.
Non Recovery of UK Link System (definition per UK Link manual)	N/A		Repeated failure within the business day following recovery as defined in UK Link manual	£50 per user affected 1st repeated failure to increase by 100% for each subsequent failure within the business day per user affected e.g. £50, £100, £200, £400, £800	Yes, where failure can be attributed to inappropriate actions of a User, any liability payments will be suspended
		All Failures recovery with in 5hrs			
Query Resolution GT	50% Larger 50% Smaller	(Duplicates excluded from 4 day incentive payment)			Yes, refer to excluded queries in the SOS QM Operational Guidelines. Also in order to protect Users from potential gaming a current month daily limit for queries submitted will be applied.
Larger Supply Point Queries resolved		50%	4 days	£0	
		85%	10 days	£5	
		98%	20 days	£30	

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		All Failures	>40 days	£70 (and for each additional period of not less than 20 Transco days)	
Item	% Split for Larger and Smaller Supply Points?	Final Proposed Standard	Failure	Incentive Payment	Shadow Log
Smaller Supply Point Queries resolved (Duplicates excluded from 4 day incentive payment)		50% 85% 98% All Failures	4 days 10 days 20 days >40 days	£1 £3 £6 £20 (and for each additional period of not less than 20 Transco days)	Yes, as I & C queries above
Query Resolution Metering (Transitional Standard to be removed from Network Code at Metering separation date)	50% Larger 50% Smaller				Yes, refer to excluded queries in the SOS QM Operational Guidelines. Also in order to protect Users from potential gaming a current month daily limit for queries submitted will be applied.
Larger Supply Point Queries resolved		50% 85% 98% All Failures	4 days 10 days 20 days >40 days	£0 £5 £30 £70 (for each additional period of not less than 20 days)	
Smaller Supply Point Queries resolved		50% 85% 98% All Failures	4 days 10 days 20 days >40 days	£1 £3 £6 £20 (for each additional period of not less than 20 days)	

NB: The 4 day standard for both Smaller and Larger supply point queries will be increased to:

65% after 6 months
75% after 12 months
80% after 18 months

from the first day of the month following Modification implementation date.

The 10 day standard for both Smaller and Larger supply point queries will be increased to:

90% after 6 months

95% after 12 months

from the first day of the month following the Modification implementation date

A summary of the standards within the table is shown below highlighting the areas of change:

New Standards

Query Resolution

UK Link System Failures

UK Link System Recovery

CV Data - Revisions

Increased PPL's

Referred Nominations

Site Visit Appointments

DM Reads

Suppressed Reconciliation (NDM/DM)

Increased Incentive Payments

DM Reads

CV Data

Invalid Offers

Referred Nominations

File Formats

Failure to Provide Gas

Overall Cap & Sub Caps

The Development Work Group agreed that the majority of standards should be of equal value with each sub cap set at a level of £5m. However, Users represented at the Development Work Group proposed that 3 of the standards should have a different weighting and Query Resolution was set at £10m, File Formats at £3m and Site Visits at £2m. The absolute cap and sum of the sub caps remain at their current levels of £50m and £60m respectively. This should ensure that a balanced incentive regime is in place. However, should liability payments reach the absolute cap in any one period, sub cap payments (and any components within each sub cap) will be pro rated such that the absolute cap is not breached.

For some of the standards the principle of pro rating sub caps will also apply to customer types, that is, there would be a further pro-rating between 'Domestic' and 'Industrial & Commercial'. This will be a 50% split for all of the applicable standards apart from Referred Nominations which will be 20% for Smaller Supply Points and 80% split for Larger Supply Points. This would ensure that a major failure in one area would not preclude liabilities being paid to the other customer area. The existing consumption threshold of 73,200kWh would be used and for this reason (to be consistent with the Network Code) the terms 'Smaller' and 'Larger' Supply Points will be adopted.

Shadow Log

It was agreed by the Development Work group that the following principles should apply to any shadow log arrangements and the group should also determine detail of the rules of operation for individual standards.

Operation of any shadow arrangement must be cost effective and simple to operate for both Transco and Users.

The shadow log should act to moderate User behaviour and inhibit the generation of liability payments from Transco through inappropriate action (or inaction).

Polluter pays', i.e. the User(s) responsible for problems will be excluded from receipt of any payments in relation to the respective standard.

Scope of shadow log arrangements should in the first instance be limited to those activities that impact on the standard of service process to which they relate.

Volume Scaling for User Queries

It was agreed during the Development Work Group discussions that variable volumes of query submissions could impact on the ability of Transco to meet its performance standards for resolving queries. Although, at an aggregate level, individual peaks would be smoothed out by troughs from other Users it was felt that there could still be times when sudden increases in the daily volumes of queries submitted (whether this be collectively by small increases by a number of Users or by very large submissions by one or two Users) could occur and this would result in an increased probability of not meeting planned performance levels.

As a consequence, it was agreed that a volume limit be applied for the Query Management regime which will protect Transco from large swings in query volumes, and avoid any perverse incentive for Users to submit volumes en-masse in order to hinder Transco's ability to meet the obligations introduced by such a regime. The volume scaling also seeks to encourage moderated behaviour from all Users so that any inappropriate action of one or a few Users, by the submission of excessive query volumes, could impact on the performance afforded to all other Users.

It was recognised that some Users submit very small volumes of queries every month. For these Users, an absolute increase of for example 5 queries, could represent a 100% increase in the average submitted volumes. As the impacts are minimal for these number of small queries, it was agreed that a lowest value be used for a Users current daily limit of queries. Transco undertook an analysis of Users that submit low level query volumes and proposed a figure of 5 for each of the 4 categories of queries. However, as the members of the Development Work Group did not agree this unanimously, it was agreed that this figure (on page 14 of the Standards of Service Query Management Guidelines) should be considered within the views of Users during the consultation process for this Modification Proposal.

3. Extent to which the proposed modification would better facilitate the relevant objectives

The additional standards and measures, together with the tightened service standards, further enable an efficient and economic system to operate consistently within the industry.

4. The implications for Transco of implementing the Modification Proposal , including

a) implications for the operation of the System:

No such implications have been identified.

b) development and capital cost and operating cost implications:

It is expected that development costs would be incurred but that they would not be significant. In terms of operating costs Transco does not believe that they will be significantly different to those currently being incurred.

c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:

Transco's costs would be treated as normal operating costs.

d) analysis of the consequences (if any) this proposal would have on price regulation:

No such consequences have been identified.

5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal

Implementation of the Modification Proposal would result in a package of changes to the Network Code Standards of Service liability regime. Implementation would give rise to the inclusion of a number of new standards, as well as the deletion or amendment of others. On balance, through the inclusion of the new standards, coupled to either a rise in Planned Performance Levels ("PPLs") or payment values relating to the remaining standards, Transco's level of contractual risk would be increased as a result of implementation.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

An initial system impact analysis has identified that implementation would require additional functionality to be introduced to some of Transco's computer systems in order to monitor performance and generate reports. The full impacts of any potential system changes have yet to be determined. Shippers may also need to amend any systems they have in order to monitor the new liabilities.

Following further analysis of the system impacts, 5 of the systems that support the standards require either parameter and/or logic changes. In addition to this a new system is required to monitor and report the standard for Query Resolution.

7. The implications of implementing the Modification Proposal for Users

Users at the Development Work Group confirmed that although no specific analysis had been undertaken, they anticipated that the implications would be relatively modest and would be largely procedural.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party

No such implications have been identified.

9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal

No legislative or regulatory obligations have been identified.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantage

The development process has allowed Users to focus on the operational areas that are most important to their businesses:

The new standards are related to

- Query resolution
- UK Link System Failures
- CV Data (Revisions)

It has also allowed shippers to dispense with liabilities for other standards where the performance is now consistently high.

Disadvantage

The only disadvantage identified through discussions with the Development Work Group was that some of the services with liabilities associated could exist outside the Network Code as contestable services and, as such, certain elements of the package, if the level of liability was too high, could act as a barrier

to competition. However, the Development Work Group has always maintained that the intention of the SoS liability regime is to drive service levels not generate value from the payments themselves.

11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Representations have been received from 6 shippers:-

Innogy plc

British Gas Trading Ltd

SSE Energy Supply Ltd.

TotalFinaElf Gas & Power Ltd

Statoil (UK) Gas Ltd

Powergen UK Plc

The balance of representations is in favour of implementation. Five Users (including the Proposer of the original SoS Modification Proposal 0514) stated that they were in favour of implementation with one User against. Although it should be noted that the User opposed to implementation confined its comments to the new Query Resolution standard and the Standards of Service Query Management Operational Guidelines.

Of those Users that supported implementation, two requested further justification on the period of development (3 months) that Transco requires for implementation, given that some of the existing standards have only had changes to the PPL's and incentive payments.

Transco's response: Although some of the existing standards have not changed significantly there is still a requirement for changes to be made to both systems and processes. In addition to this, the new standard relating to Query Resolution requires a significant amount of new system development to enable monitoring and reporting, particularly with the introduction of the new 4 day standard, Invalid Query shadow log, and Query Volume Scaling.

As part of its implementation plan, Transco also has to ensure that it has auditable processes and procedures in place to support the reporting requirements of the new standards.

Transco will endeavour to improve on the 3 month development lead time and if implementation could be achieved sooner then it would recommend an earlier implementation date. In this case, it would be sensible to ensure the cutover date is the first of a month, in order to avoid having to monitor performance across a month split between two SOS regimes.

Innogy provided the following comments relating to the Modification Proposal and legal drafting.

"The % split for the DM SRV standard shown in the table in paragraph 2 should we believe read 100% larger (not 100% smaller as stated)."

Transco comment: The % split is correct as the beneficiary for **all** SRV payments are those Users with Smaller Supply Points.

"The £70 per meter point per day incentive payment shown against the DM Meter Reads standard in the table in paragraph 2 conflicts with the £75 stated in the legal drafting (M.5.2.3.a)".

Transco comment: The correct incentive payment as agreed in the Development Work Group is £75 as stated in the drafting and not £70 as shown in the table.

"The legal drafting in U7.6.4 implies repeated failure of UK Link payments are set at £100 per event, whereas the incentive payment against that standard in the table in paragraph 2 implies that each subsequent event increases the payment by 100%".

Transco comment: Repeated System Failures increase by 100% as per the table in paragraph 2. The legal text has been revised to reflect this.

"We believe there should be a lowest value set for a user's current daily limit of queries and would suggest a number between 5 and 10 as being appropriate. This issue however is more relevant to small shippers than ourselves and we would expect Ofgem to consider this further when deciding to approve the modification proposal or not"

Transco comment: Transco proposed a limit of 5 based on an analysis of queries submitted and the consensus of the Development Work Group was for Ofgem to consider this further when making their determination on this Modification Proposal.

TotalFinaElf ("TFEGP") stated *"TotalFinaElf are disappointed that they are not able to support this Modification Proposal"* and expressed disappointment at the time spent by the industry developing revisions to the Standards of Service (SoS) as it had ambitions that the resulting proposals would be *"significantly better"* than those contained within the Modification Proposal. TFEGP *"accept that some improvements have been made, but in general the payments being proposed are too low and for some of standards the proposed levels are lower than current levels being achieved on a regular basis by Transco"*.

Transco's response: The Development Work Group has agreed the proposed levels of performance payments based on discussions for each specific standard. Transco does not believe it is appropriate to individualise the standards and their PPL's since the proposal has been developed and negotiated as a package of changes.

The remainder of TFEGP representation related to the Standards of Service Query Management Operational Guidelines: *"the above is not our principle reason for our lack of support for the modification. Our main reason lies with the proposed Operational Guidelines for the Standards of Service Query Management - Version 1. Overall we believe this to be a completely unacceptable proposal"*

TFEGP raised specific comments in respect of the Standards of Service Query Management Operational Guidelines and these have been grouped together as shown below:

Query Definition

TFEGP objected to the way Transco have defined 'query' within the document. TFEGP stated *"any organisation that receives a communication from one of its customers should respond to its customer in the manner that is required by said customer"*

Transco's response: A significant part of the Development Work Group's time was spent developing and agreeing the definition of a 'query' and in line with the recommendation made in Modification Proposal 0514 (BGT's SoS proposal), this definition was ratified by the Standards of Service Sub Committee. The basis of the wording is taken from the existing definition as agreed in the Modification 122 Review Group and Bosworth Agreement with additional changes to support the impacts of Metering Separation.

Classification of Queries as Invalid and Shadow Log

TFEGP also commented on the treatment of 'valid' queries and stated *"all queries from a customer should be valid and counted in SoS, and that it does " not accept invalid queries being used in the shadow log"*. In response to specific invalid categories TFEGP states; *"I have never seen an incomprehensible query as claimed by Transco - these should be closed as invalid but returned to the shipper as a DCF"*. Furthermore on the general aspects of 'valid' queries TFEGP state *"It is our firm belief that any query is valid, this is the way we expect to treat our customers"*. TFEGP also commented on whether Transco had any proof that Users behaviour will change with a liability regime resulting in Transco being bombarded with queries in order to generate compensation payments should it fail the performance levels.

Transco's response: The recommendation of a Shadow Log arrangement was contained in the BGT SoS Modification Proposal (0514) which Transco used as the basis for Modification Proposal 0565. It was agreed by the Development Work Group that the high level principle of how a 'Shadow Log' arrangement would work should be fully explored for each standard. In respect of the 'Shadow Log' arrangement for queries it was agreed by the Development Work Group that both parties, i.e. Transco and Users required protection to disincentivise inappropriate behaviour and agreed it would be prudent to include measures that protect Users from the behaviour of others. As query resolution performance does not currently have a liability regime, proof of a change in Users behaviour is not available.

All queries received by Transco are included within the performance standards and determination of the validity of a query only occurs at the resolution stage. The Development Work Group agreed that not all 'invalid' queries should be exempt from liability payments with only the specific categories which are exempt being defined within the Shadow Log Exclusions table.

In determining which 'invalid' queries should be considered for exclusion from liability payments, Transco presented an analysis of 'invalid' query examples and the Development Work Group agreed that 'poorly worded' queries should be excluded. Queries falling into this category contain insufficient information to establish whether or not the query is in fact a challenge to a data item and as such could not be progressed for resolution. In any event the number of 'invalid' queries falling into this category is low.

Limits on the Volume of Queries Allowed

TFEGP expressed their view about the Query Volume Scaling and stated *"Determination of User Limits in not acceptable - a service provider cannot limit the number of enquiries/queries/communications from their customer. Similarly we cannot forecast how many queries etc we will have during a period of time. For expanding businesses like our own it is unfortunate but highly likely that our query numbers will increase in line with our number of customers/meter points"*.

Transco's response: The User limits do not restrict the receipt of queries by Transco, rather they seek to provide a reasonable basis to assess performance if normal volumes are exceeded. The Development Work Group agreed that Transco and Shippers needed protection against any individual User submitting exceptionally high volumes of queries in a day but recognised that customer queries could not be limited. The various ways in which the Query Volume Scaling could be applied were discussed in great detail by the Development Work Group. The method proposed in this report was agreed after reviewing a number of options and this was considered to be equitable to both Users and Transco. The way the User Query Volume limit is calculated over the 3 month period means that any query increases are factored in when setting the new limit.

Rules of Operation and Incentive Payments

TFEGP raised specific comments on the rules of operation for queries stating *"Shippers have to send queries via set routes - where is the equivalent obligation on Transco"* and made reference to Transco operating a double standard, stating that *"shipper communications are said to be received on the next working day after sending. Transco's communications to shipper are said to be received on the same day as sent"*

Transco's response: Transco responds to queries in the same way as shippers submit their queries via ConQuest as agreed during the system and operational development of ConQuest 2000. The rules regarding Transco and User receipt is equitable for both in terms of time allocation per query as the standard of service dependency is assessed on the final case event description of the query prior to the daily system update.

Transco would like to clarify that other than the introduction of the Shadow Log, Query Volume Limits and references to the liability regime, the principles of the existing rules of operation for the submission of queries has not changed as a result of Modification Proposal 0565. This document has evolved from rules agreed during the development of the Bosworth Agreement and during Modification Review Group 122 "Review of Query Management Requirements".

TFEGP also stated *"we agree to the use of certain standard forms etc for communications to Transco but making this information mandatory is unacceptable"*

Transco's response: It is necessary for Transco to make certain information mandatory to enable investigation of a query for resolution.

TFEGP further stated that *"Transco only pay a penalty after a complete block of 20 days over the standard. We believe this is unacceptable and should be based on a payment for each day over the standard"*.

Transco's response: The calculation of the incentive payment for queries outstanding over 20 days, was reviewed at the Development Work Group and the option of a daily rate was considered. It was agreed by Development Work Group that a payment should be made for each 20 day period greater than 20 days as originally proposed in Modification 0514, i.e. equivalent payment per calendar month.

12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation

Implementation of this Modification Proposal is not required to enable Transco to facilitate compliance with safety or other legislation.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

This proposal is not required to facilitate any such change.

14. Programme of works required as a consequence of implementing the Modification Proposal

Transco will need to develop processes, reporting and systems to support the implementation of this Modification Proposal. Users have indicated that they may also need to undertake some work to develop reports and processes.

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

The proposed implementation timetable is as follows:

Draft Modification Report Issued	- February
Final Modification Report Issued	- March
Ofgem Decision	- [Month]
Implementation Date	- [Month + 3 months]

(Implementation Month = 1st day on the month)

A period of 3 months is required by Transco from the date of the Ofgem determination to develop systems, processes and reporting. A cutover date for the first of a month is recommended, to avoid having to monitor performance across a month split between two SOS regimes.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation of the Modification Proposal.

17. Restrictive Trade Practices Act

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

18. Transco's Proposal

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Gas & Electricity Markets Authority in accordance with this report.

The Standards of Service Query Management Operational Guidelines and GRE Invoice Query Incentive Scheme Methodology are supporting documents to this legal text.

19. Text

Signed for and on behalf of Transco.

Signature:

Steve Phillips
Director, Shipper Services

Support Services

Date:

Gas and Electricity Markets Authority Response:

In accordance with Condition 9 of the Standard Conditions of the Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0565**, version **1.0** dated **19/03/2003**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **1.0**.

Signature:

Process Manager - Network Code
Transco

Date:

Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:
 - (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") within 28 days of the date on which the Agreement is made; or
 - (ii) if, within 28 days of the provision of the copy, the Authority gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriate

provided that if the Authority does not so approve the Agreement then Clause 3 shall apply.
2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.